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LOS ANGELES COUNTY

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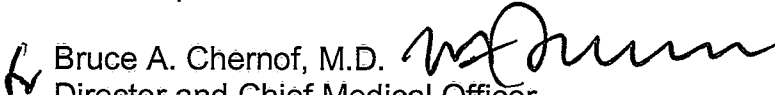
**Bruce A. Chernof, M.D.**  
Director and Chief Medical Officer

**John F. Schunhoff, Ph.D.**  
Chief Deputy Director

**Robert G. Splawn, M.D.**  
Senior Medical Director

May 12, 2008

TO: Each Supervisor

FROM:  Bruce A. Chernof, M.D.  
Director and Chief Medical Officer

SUBJECT: **VARIABLE COST FOR SERVICES**

As requested by Supervisor Molina at the April 22, 2008 Board hearing, attached is a schedule which reflects the variable cost for services provided at the Health Centers (HCs), Comprehensive Health Centers (CHCs), Multi-Service Ambulatory Care Centers (MACCs), and Hospital-based Outpatient Clinics. The variable cost is based on the DHS Fiscal Outlook for Fiscal Year 2007-08, updated for the Board of Supervisors on April 22, 2008, and adjusted to reflect only the cost for services related to outpatient care.

Currently, the MLK-MACC's variable cost per visit is \$977 based on estimated actual visits of 135,000. We are in the process of working with Health Management Associates (HMA) to review the staffing at the MLK-MACC. With HMA's recommended staffing plan for the MLK-MACC, we anticipate seeing a reduction in staffing and expect the variable cost per visit to be approximately \$825. MLK-MACC cost per visit would decrease further to \$654 based on achieving 190,000 visits annually, which is the number of visits achievable by the staffing level identified by HMA. This would align the MLK-MACC cost per visit more closely with the High Desert Health System-MACC.

It should be noted that the variances in the costs of the MACCs versus the CHCs versus the HCs are due to the level of care delivered at each type of facility, including outpatient surgery at the MACCs, and specialty clinics at the MACCs and CHCs, which have a higher staff cost.

If you have any questions or require additional information, please let me know.

BAC:AW:lwn (w: assign\Board Assignments\variable cost s-1.doc)  
804:011

Attachment

c: Chief Executive Officer  
County Counsel  
Executive Officer, Board of Supervisors

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**COUNTY OF LOS ANGELES - DEPARTMENT OF HEALTH SERVICES**  
**ESTIMATED OUTPATIENT VARIABLE COST and BILLABLE VISITS**  
**BASED ON FISCAL YEAR 2007-08 FISCAL FORECAST <sup>(1)</sup>**

	<u>Variable Cost</u>	<u>Billable Visits (2)</u>	<u>Variable Cost / Billable Visit</u>
<b>LAC+USC Healthcare Network</b>			
LAC+USC Hospital Outpatient	\$ 224,035,514	384,347	\$ 583
Edward R. Roybal CHC	26,700,239	67,041	398
H. Claude Hudson CHC	38,736,297	118,881	326
El Monte CHC	27,777,687	80,815	344
La Puente HC	1,816,680	6,887	264
<b>Coastal Network</b>			
Harbor-UCLA Hospital Outpatient	95,645,552	233,185	410
Long Beach CHC	18,534,993	67,579	274
Bellflower HC	3,430,818	11,336	303
Wilmington HC	4,795,464	17,297	277
<b>Southwest Network</b>			
MLK MACC <sup>(3)</sup>	102,861,230	105,311	977
Hubert H. Humphrey CHC	39,472,687	95,571	413
Dollarhide HC	1,262,190	5,211	242
<b>Valley Care Network</b>			
San Fernando Valley			
Olive View-UCLA Hospital Outpatient	74,866,380	150,599	497
Mid-Valley CHC	22,670,689	63,925	355
Glendale HC	1,949,050	10,693	182
San Fernando HC	6,691,940	22,560	297
Vaughn Street Based Elementary	181,313	653	278
<b>Antelope Valley</b>			
High Desert MACC	40,864,544	59,965	681
Antelope Valley HC	3,974,295	12,716	313
Lake LA HC	805,254	2,175	370
Littlerock HC	294,040	1,772	166
South Valley HC	10,926,322	45,261	241

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- (1) Outpatient variable cost is based on the DHS Fiscal Outlook for 2007-08, updated for the Board of Supervisors on April 22, 2008, with adjustments. These costs include all variable expenses from direct patient care (i.e. nursing, physicians, interns & residents, etc.) and indirect patient care (i.e. ancillaries, finance, hospital administration, and financial screening, etc.). The adjustments include the removal of fixed costs (i.e. fixed eb's, utilities, HSA overhead, etc.), hospital inpatient, ER/psych ER, and psych clinic costs, and non-patient care related costs (such as school of nursing, replacement facility (LAC+USC), patient transfers to contract hospitals (MLK), etc.). Rancho Los Amigos National Rehab Center is not included in this study because they are an acute rehabilitation hospital.
- (2) Billable visits are defined by Cost-Based Reimbursement Clinics (CBRC). Excluded are the non-CBRC billable visits for ER/Psych ER, Psych Clinic, and Other (i.e. nurse only) services.
- (3) MLK MACC is shown for 10.5 months only (August 16, 2007-June 30, 2008). From July 1-August 15, 2007, MLK (MLK-Harbor) was a hospital.